

Message Text

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22

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 IO-11

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 9911

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: ETRD, ECON, CH

SUBJECT: RADICAL ATTACK ON FOREIGN TRADE

SUMMARY: APRIL' RED FLAG CARRIES AN ARTICLE SHARPLY
ATTACKING THE EXPANSIONARY FOREIGN TRADE POLICY PURSUED
BY CHINA SINCE 1973. REPRESENTING ONE OF THE MORE EXTREME
STATEMENTS TO APPEAR SINCE THE HEIGHT OF THE CONFUCIUS
CAMPAIGN IN MID-1974, THE ARTICLE'S BASIC THEME IS DIRECTED AGAINST
TRYING DOMESTIC ECONOMIC DEVELOPMENT TO INCREASED FOREIGN
IMPORTS, GAINED BY STEPPING UP EXPORTS. THIS LINE,
WHICH TENG HSIAO-PING IS ACCUSED OF FOLLOWING, WOULD
EVENTUALLY LEAD TO LOSS OF ECONOMIC AND POLITICAL
INDEPENDENCE. ALTHOUGH RAISING THE SHRILLNESS OF LEFTIST
ATTACKS, THE ARTICLE STOPS SHORT OF DENYING THE USEFULNESS
OF ALL IMPORTS. THE MESSAGE PROBABLY DOES NOT REPRESENT
A CONSENSUS, BUT APPEARS TO POINT TO A RESURGENCE OF
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SELF-RELIANT STRAINS IN PRC ECONOMIC COUNCILS THAT COULD

SLOW DOWN TRADE EXPANSION AND LEAD TO A STRENGTHENING OF TRADITIONAL EFFORTS TO BALANCE TRADE. END SUMMARY.

1. THE EXPANSIONARY FOREIGN TRADE POLICY PURSUED BY CHINA SINCE 1973 HAS COME UNDER SHARP ATTACK IN THE APRIL ISSUE OF RED FLAG. AN ARTICLE ENTITLED "CRITICIZE SLAVISH COMPRADOR PHILOSOPHY," REPRESENTS ONE OF THE MORE EXTREME POSITIONS ON FOREIGN TRADE THAT WE HAVE SEEN SINCE THE HEIGHT OF THE ANTI-CONFUCIUS-LIN PIAO CAMPAIGN IN MID-1974. SINCE IT HAS NOT YET BEEN BROADCAST AND IS AVAILABLE ONLY IN CHINESE, THE FOLLOWING DESCRIPTION AND ANALYSIS OF THE ARTICLE IS MORE DETAILED THAN USUAL.

2. THE ARTICLE'S MAIN DEPARTURE FROM PREVIOUS ANTI-TRADE PIECES LIES IN ITS QUESTIONING OF CHINESE EXPORT POLICY. IT ACCUSES TENG HSIAO-PING OF RAISING A GREAT HUE AND CRY LAST SUMMER ABOUT STEPPING UP EXPORTS TO "EXCHANGE FOR MORE GOOD THINGS FROM ABROAD." THIS, HE ALLEGEDLY CLAIMED, WOULD ACCELERATE EXPLOITATION OF RESOURCES AND THE TRANSFORMATION OF INDUSTRY.

3. STATING THAT IT IS A "SOCIALIST PRINCIPLE" FOR ECONOMIC DEVELOPMENT TO REST ON THE DOMESTIC MARKET, THE ARTICLE ASSERTS THAT EXPORTING "IN AN UNPRINCIPLED MANNER" SIMPLY FOR THE SAKE OF IMPORTS WOULD LEAD TO A LOSS OF ECONOMIC AND EVENTUALLY POLITICAL INDEPENDENCE. A SITUATION WOULD ARISE IN WHICH CHINA WOULD IMPORT THINGS THAT COULD BE PRODUCED DOMESTICALLY; EXPORT ITEMS BADLY NEEDED IN THE DOMESTIC MARKET; BUY ADVANCED THINGS ABROAD AND PRODUCE BACKWARD AT HOME; AND EVEN SURRENDER TO OTHERS SOVEREIGNTY OVER EXPLOITATION OF MINERAL RESOURCES. THIS APPROACH, THE ARTICLE CONTINUES, LED TO OLD CHINA'S "SEMI-COLONIAL" AND BANKRUPT STATUS IN THE CHING DYNASTY AND KUOMINTANG ERAS, AND WAS ALSO THE LINE PUSHED BY LUI SHAO-CHI AND LIN PIAO, WHOSE MANTLE HAS BEEN INHERITED BY TENG.

4. THE ARTICLE'S XENOPHOBIA--ANYTHING DONE BY THE WEST CAN BE DONE BETTER BY THE "PROLETARIAT OF THE EAST"--IS LIMITED OFFICIAL USE

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LARGELY DIRECTED TOWARD THE WEST, THOUGH IT ALSO CASTIGATES THE SOVIET UNION IN HARSH TERMS FOR BORROWING FROM THE WEST AND MORTGAGING ITS UNDEVELOPED RESOURCES. CURIOUSLY, IT MAKES NO MENTION OF THE BAD EFFECTS OF ITS CLOSE ECONOMIC TIES TO THE SOVIETS IN THE 1950'S.

5. DESPITE THE SHARP RHETORIC, THE ARTICLE IS CAREFUL TO CARRY THE STANDARD MAO QUOTE ON LEARNING FROM THE

"GOOD" EXPERIENCE OF OTHER COUNTRIES AND LATER STATES THAT "WE ARE NOT OPPOSED TO IMPORTING CERTAIN FOREIGN TECHNOLOGY AND EQUIPMENT WHICH ARE REALLY USEFUL." THESE CAVEATS ARE CLOAKED WITH ENOUGH QUALIFYING WARNINGS ABOUT THE NEED TO ABSORB ONLY THE "ESSENCE" AND NOT THE "DROSS" OF FOREIGN EXPERIENCE AND EQUIPMENT THAT THE MAJOR THRUST OF THE ARTICLE TOWARD MORE CONSERVATIVE TRADE IS NOT DIMINISHED.

6. COMMENT: THE RED FLAG ARTICLE, AUTHORED BY FANG HAI, A WELL-KNOWN LEFTIST, HAS SHARPLY RAISED THE DEGREE OF SHRILLNESS EMANATING FROM THE RADICAL CAMP. IN ITS AUTARKIC APPROACH TO TRADE, THE ARTICLE STOPS JUST SHORT OF REACHING THE EXTREME FRINGE OF THE RADICAL ECONOMIC POSITION-- A POSITION THAT BECAME INCREASINGLY FRAYED UNDER THE EXPANSION OF CHINESE TRADE SINCE 1973 AND THE GROWTH OF WESTERN INVOLVEMENT IN THE ECONOMY. AS FOREIGN MARKETS--PARTICULARLY THE JAPANESE OIL AND SILK MARKETS--BEGAN TO PROVE FICKLE AND UNDEPENDABLE, HOWEVER, RADICAL VIEWS AS EMBODIED IN THE RED FLAG ARTICLE HAVE UNDOUBTEDLY BEEN STRENGTHENED. THE TRADE EXPANSION-ISTS, ESPECIALLY THOSE WHO WOULD BE WILLING TO MAKE DOMESTIC DEVELOPMENT MORE DEPENDENT ON SALES TO FOREIGN MARKETS, ARE ALMOST CERTAINLY FACING HEAVY GOING.

7. REPRESENTING ONE OF THE CROSS CURRENTS AND FORCES AT WORK BEHIND THE PRESENT LEADERSHIP STRUGGLE, THE ARTICLE'S MESSAGE SHOULD BE PLACED IN THE PERSPECTIVE OF NUMEROUS OTHER SIGNS OF CONTINUITY IN ECONOMIC POLICY. THESE INVOLVE PERSONALITIES--HUA KUO-FENG'S NON-RADICAL CREDENTIALS, THE HIGH VISIBILITY OF SUCH ECONOMIC PLANNERS AS KU MU, AND THE REAPPEARANCE OF LI HSIEN-NIEN--AS WELL AS OFFICIALS' STATEMENTS AND REPORTS OF CONTINUING LIMITED OFFICIAL USE

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TRADE INITIATIVES, INCLUDING EVEN WHOLE PLANT DISCUSSIONS.

8. IT IS UNLIKELY THAT THE ARTICLE'S EXTREME VIEWS REPRESENT A CONSENSUS. WE HAVE BEEN TOLD THAT THE JAPANESE EMBASSY IN PEKING VIEWS THE ARTICLE VERY SERIOUSLY AS A POSSIBLE SIGNAL OF POTENTIAL DISRUPTIONS IN SINO-JAPANESE TRADE. WE THINK IT MORE LIKELY THAT CHINESE TRADE POLICY WILL SEEK TO MOVE TOWARD THE TRADITIONAL PATTERN OF IMPORT-EXPORT BALANCE AFTER THE HEAVY IMPORT SURPLUSES OF THE PREVIOUS TWO YEARS. THIS WOULD LEAVE ROOM FOR MEASURED GROWTH IN TRADE, INCLUDING IMPORTS OF TECHNOLOGY, EQUIPMENT AND EVEN WHOLE PLANTS, BUT COULD ALSO ENTAIL SLOWER PERIODS OF CONSOLIDATION TO ENSURE THAT ECONOMIC DEVELOPMENT DOES NOT LURCH UNCONTROLLED OUTSIDE SELF-RELIANT LINES.

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